DECLASSIFIED 14 LIBYA (E)
XR [illegible] LIBYA

Department of State

TELEGRAM

EXCISE

SECRET 199

(275)

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17-12
ACTION AF-05

INFO OCT-01 SS-20 EUR-12 NEA-08 E-02 INT-01 L-02 NSC-10
NSCE-00 INR-06 CIAE-00 NSAE-00 PRS-04 COM-02 TRSY-06
RSR-01 RSC-01 /078 W
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R 021124Z JUL 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6543
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMEMBASSY LONDON

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY C DATE 8/7/81
PORTIONS DENIED AS INDICATED

S E C R E T TRIPOLI 1557

LIMDIS

SUBJECT : POSTED PRICE NEGOTIATIONS

REFERENCE: TRIPOLI 1539

1. ESSO MET LARG'S POSTED PRICE COMMITTEE LATE JUNE 30 FOR SECOND TIME IN CURRENT SERIES OF NEGOTIATIONS AND WAS FOLLOWED BY OCCIDENTAL FOR OXY'S FIRST MEETING OF NEW SERIES. [redacted] MEETING HAD BEEN PRECEDED BY INFORMAL CONTACT WITH COMMITTEE CHAIRMAN MAGHRABI AND MEMBER MUNTASIR IN WHICH BOTH ASSURED ESSO COMMITTEE NOW PREPARED TO MODIFY ITS DEMANDS. B4

2. [redacted] NEGOTIATING SESSION [redacted] AMICABLE AND [redacted] COMMITTEE HAD MODIFIED ITS POSITION "SLIGHTLY" BY REDUCING ITS DEMANDOF 44 CENT PRICE INCREASE TO 37 CENTS. [redacted] THIS MOVE WAS ACCOMPANIED BY GREAT EMPHASIS ON COMMITTEE'S EFFORTS TO DEMONSTRATE FLEXIBILITY BY: REDUCING OPENING DEMAND FROM LIBYA'S TRUE ENTITLEMENT (MAGHRABI SAID $3.09) TO $3.00 (44 CENT POSTING CORRECTION PLUS 35 CENT SUEZ PREMIUM); THAN REDUCING SUEZ PREMIUM BY VALUE OF SUSPENDEDOPEC ALLOWANCES (REFTEL); AND NOW PARING B4

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POSTED PRICE DEMAND BY SEVEN CENTS. COMMITTEE CLEARLY INDICATED NEXT MOVE WAS ESSO'S. [redacted] ESSO MADE NO NEW OFFER AT JUNE 30 MEETING. ANOTHER MEETING SCHEDULED FOR ESSO JULY 1. B4

3. OCCIDENTAL HAS NOT TOLD EMBASSY ABOUT ITS JUNE 30 MEETING. [redacted] B4

4. [redacted] MAGHRABI, IN VIEW OF RENEWAL OF INTENSE NEGOTIATIONS, [redacted] HAD NOT TRIMMED HIS COMMITTEE'S PRICE INCREASE DEMAND BY SEVEN CENTS IN MEETING WITH OXY AS HE HAD DONE LESS THAN HOUR EARLIER WITH ESSO. WE ARE NOT SURE WE HAVE ACCURAGE PICTURE OF OXY MEETING AND ARE SEEKING ADDITIONAL INFORMATION. B4

5. OVER PAST FEW DAYS, EMBASSY HAS LEARNED CONSIDERABLY MORE ABOUT ESSO'S NEGOTIATING TACTICS AND STRATEGY. WE WERE SURPRISED TO LEARN, BELATEDLY (TRIPOLI 1439), THAT [redacted] B1 B4

6. FROM AMBASSADOR'S DISCUSSION OF POSTED PRICE PROBLEM [redacted] SUBSEQUENT TO ACQUISTION FOREGOING INFO, WE CONCLUDE [redacted] B4 B1

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[redacted] LARG, ON OTHER HAND, HAS RAISED RANGE OF ISSUES WHICH CAN BE GROUPED AS FINANCIAL (POSTED PRICE, PORT DUES AND TIGHTENING OF EXPENSE CONTROLS) AND LIBYANIZATION (MORE AND BETTER JOBS FOR LIBYANS AND MORE OPERATIONAL CONTROL FOR ITS OWN SAKE AND FOR CONSERVATION). HOWEVER, LARG IS DEALING SEPARATELY WITH THESE ISSUES TO MAXIMIZE ITS BENEFITS FROM EACH. CURRENTLY, POSTED PRICE IS ONLY ISSUE UNDER NEGOTIATION, AND LARG, TOO, IS MOVING AS SLOWLY AS POSSIBLE FROM ITS ORIGINAL POSITION. UNDER THESE CONDITIONS, POSTED PRICE SETTLEMENT, BARRING MISCALCULATION BY EITHER PARTY, IS CONCEIVABLE IN REASONABLY NEAR FUTURE. BUT POSTED PRICE SETTLEMENT ALONE WOULD LEAVE OTHER ISSUES TO NAG GOVERNMENT-COMPANY RELATIONS FOR AS FAR AHEAD AS WE CAN SEE. LENGTHY NEGOTIATIONS ON OTHER LARG DEMANDS WOULD INSURE STAGNATION OF PRESENT OPERATIONS AND LEAD LARG TO FORCE ACCELERATED RELINQUISHMENT AND TO FOSTER NEW EXPLORATION VENTURES THROUGH LNOC. ALL OF THIS ADDS UP TO DISMAL PROSPECT FOR PRESENT CONCESSIONAIRES.

7. ESSO [redacted] AGREED WITH AMBASSADOR IN ABOVE ANALYSIS. [redacted] B4

[redacted] B4

8. TURNING FROM FUTURE TO PRESENT, EMBASSY NOTES BOTH ESSO (WHICH STILL IS INDUSTRY LEADER IN NEGOTIATIONS) AND LARG HAVE MOVED FROM THEIR ORIGINAL POSITIONS BY SEVEN CENTS.

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04

[redacted] EXTRAPOLATING FROM THIS, SETTLEMENT WOULD BE REACHED AT 22 CENTS (ONE-HALF OF ORIGINAL 44 CENT PRICE DEMAND). IF 22 CENT INCREASE INCLUDED LITTLE OR NO RETROACTIVITY AND PROGRESSIVITY, IT WOULD BE ABOUT AT LIMIT OF WHAT WE THINK INDUSTRY COULD BEAR IN TERMS OF COMPARABILITY WITH PERSIAN GULF CRUDE. BUT SETTLEMENT OF THIS SORT ON POSTED PRICE WOULD CONSUME MOST OF WHAT IS AVAILABLE TO COMKIPANIES TO MEET ALL OF LARG'S DEMANDS.

9. IN SPECULATING ON REASONS MAGHRABI COMMITTEE HAS TRIMMED ITS FORMERLY RIGID DEMANDS AT THISTIME, WE ARE INCLINED TO THINK THOSE IN LARG -- INCLUDING DEPPRIMIN JALLUUD -- WHO FAVOR PROMPT PRICE SETTLEMENT AND WHO PROBABLY WOULD OPPOSE UNILATERAL ACTION, ARE RESPONSIBLE FOR MOVEMENT. WE DO NOT INCLUDE MAGHRABI AMONG THESE, NOR ARE WE ABLE TO ASSESS THEIR STRENGTH OR LIMIT TO WHICH LARG IS PREPARED TO MOVE. THEREFORE, WE BELIEVE SITUATION REMAINS POTENTIALLY HAZARDOUS.
GP-4.
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